



Tax Transparency Report 2020

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Australia Post acknowledges the Traditional Custodians of the land on which we operate, live and gather as employees, and recognises their continuing connection to land, water and community. We pay respect to Elders past, present and emerging.

Introduction

This Tax Transparency Report is published on a voluntary basis as part of our commitment to improved tax disclosure. The report includes information recommended to be disclosed under the Australian Voluntary Tax Transparency Code (TTC). The TTC is a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information.

Overview

We manage our taxation affairs in accordance with the Group Risk Management Framework. Forming part of the Framework, the Tax Governance Policy outlines the framework and methodology for applying a risk based approach to managing our taxation affairs and our relationship with revenue authorities. We maintain a comprehensive system of corporate governance practices designed to provide appropriate levels of disclosure and accountability. We are committed to providing our stakeholders, customers and communities with transparent disclosure of our tax affairs.

Providing greater Tax Transparency

This Tax Transparency Report complies with the standard of disclosure expected of 'large businesses' under the TTC. It includes information in relation to our approach to tax governance and tax risk management and international related party dealings. In addition, this report provides information on the Australia Post Group accounting effective tax rate, the relationship between accounting profit and our income tax liability and tax contributions and collections. This report should be read in conjunction with the Annual Report for the year ended 30 June 2020 (2020 year).

Improving everyday

We continue to review our Tax Transparency reporting and implement stakeholder feedback together with industry and regulatory developments. We look to maintain and help develop best practice in Tax Transparency reporting to better serve the communities in which we operate.

Basis of preparation

Tax payments are presented on a cash paid basis for the year ended 30 June 2020 for all operations across all countries. Those tax payments made by entities accounted for as equity investments are excluded. Consistent with the Annual Report, comparative information has been adjusted, where required, for consistency with the current year's presentation.



Approach to tax

In pursuing the Australia Post corporate strategy, we abide by our Tax Governance Policy to ensure full and transparent compliance with all taxation obligations.

Tax Governance Policy

The Australia Post Tax Governance Policy operates as part of the wider Board-approved Group Risk Management Framework.

Tax Governance Principles

The core policy principles outlined in our Tax Governance Policy are that Australia Post will:

- 1. Be 100 per cent compliant** – We will ensure full compliance with all statutory tax obligations and seek to pay the legally correct amount of tax wherever the Australia Post Group operates.
- 2. Maximise shareholder value** – We will manage the tax affairs of the Australia Post Group in a proactive manner and seek to maximise shareholder value in relation to the taxation consequences of implementing the overall group strategy.
- 3. Manage risk** – We will maintain documented policies, procedures and positions in relation to tax risk consequences of business strategy within the Group's Risk Management Framework taking into account the implications for the Australia Post Group's corporate reputation as a trusted iconic brand. All material identified risks and tax exposures will be tracked and reported to the Group Chief Financial Officer and escalated in accordance with approved processes.
- 4. Be open and transparent** – We will maintain an open and honest relationship with Revenue Authorities, the responsible Shareholder Ministers and the general public and will consult appropriately with the Revenue Authorities in accordance with the Tax Code of Conduct and publish an annual Tax Transparency statement as per Board of Taxation guidelines.
- 5. Build assurance** – We will provide the Board, Group Chief Executive Officer & Managing Director, Group Chief Financial Officer, senior management and other key stakeholders with appropriate reporting on the level of compliance with the Group Tax Governance Policy in respect of the Australia Post Group's management of its Tax expense in accordance with this policy.

In accordance with the above principles, we apply a risk based approach to key activities in the corporate tax function. We adopt a strong control framework to identify, mitigate and control tax risks and refrain from undertaking aggressive tax planning. We proactively manage our business and tax affairs in accordance with the Group Tax Governance Policy.

By applying the Tax Governance Principles our tax risk appetite is consistent with the Group Risk Appetite Statement.

We strive to maintain collaborative and trusted relationships with the ATO and other revenue authorities and we are committed to full compliance and transparent disclosure with respect to our tax affairs. We participate in an annual Pre-Lodgement Compliance Review Program with the ATO and continue to adopt real-time communication with tax authorities.





ATO Justified Trust & assurance report

Australia Post is a Top 100 public and multinational taxpayer in Australia and has been categorised as a 'key taxpayer' for the 2019 year.

Under its Key Taxpayer Engagement approach, the Australian Tax Office (ATO) seeks to establish 'Justified Trust' on an evidence-based approach to:

- Understand a taxpayer's Tax Governance framework, significant and new transactions and why the accounting and tax results vary
- Identify tax risks flagged to the market.

The ATO's review of the Australia Post Group under the Justified Trust approach has been completed for the 2018 income year and is in progress for the 2019 and 2020 income years. The ATO has attained an overall provisional high level of assurance over Australia Post's economic and income tax affairs and, therefore, has provisional Justified Trust in our income tax compliance for the 2018 income year.

The high assurance (justified trust) overall rating is provisional because Tax Governance has been rated as provisional Stage 2. Australia Post's objective is to facilitate the ATO achieving a high level of Justified Trust. Doing so means the ATO will have obtained the highest degree of assurance that Australia Post has paid the 'right' amount of Australian tax.

International related parties

We have been investing in our international subsidiaries and partnerships to strengthen our warehousing and international freight-forwarding capabilities in various international markets. This is part of our strategy for future growth as an eCommerce business with a focus on the burgeoning Asian market.

Our international related party dealings generated less than 1.5 per cent of our consolidated revenue in the 2020 year. Our dealings with these international related parties are conducted in a manner consistent with the arm's length principle and reflect the commercial nature of the transactions.

Tax reconciliations

The reconciliation of accounting profit to income tax expense and tax payable, as described in the 2020 Annual Report.

Income tax expense reconciliation

	2020 \$m	2019 \$m
Accounting profit before income tax	53.6	41.1
At the Australian statutory tax rate (30%)	16.1	12.3
Adjustments relating to prior years	(1.0)	(0.7)
Pre-CGT property disposals	(8.9)	(3.9)
Accounting impact of investment disposals & revaluations	0.6	(8.5)
Goodwill impairment	3.1	–
Sundry items	0.8	1.3
Income tax expense / (benefit)	10.7	0.5

Effective tax rate

	2020 \$m	2019 \$m
Profit from ordinary activities before income tax expense	53.6	41.1
Less: Post-tax share of results of equity accounted investments	(1.9)	(1.6)
(A) Adjusted profit before income tax expense	51.7	39.5
(B) Income tax expense	10.7	0.5
Effective tax rate (B/A)	21%	1%

Reconciliation of income tax expense to current tax liability

	2020 \$m	2019 \$m
Income tax expense in the consolidated income statement	10.7	0.5
Add/(subtract):		
Deferred tax assets and liabilities charged to income	21.1	7.9
Over provision in prior years (income tax expense impact)	1.0	0.7
Current tax expense included in income tax expense	32.8	9.1
Add/(subtract):		
Net opening balance carried forward	(16.9)	36.3
Income tax payments	(12.2)	(55.2)
Over provision in prior years (current tax impact)	(3.8)	(9.0)
Other	0.1	1.9
Net current tax liability / (asset)	–	(16.9)

Taxes borne and collected

Taxes borne and collections on behalf of Governments

Taxes and duties borne

	2020 \$m	2019 \$m
Income Tax	12.6	55.2
GST (net GST paid)*	289.6	270.5
Payroll Tax	123.7	150.7
Fringe Benefits Tax	5.3	6.7
Land Tax	21.6	19.8
Rates and registrations*	17.7	16.2
Federal excise duty*	10.1	10.2
Stamp Duty	–	0.1
Total	480.6	529.4

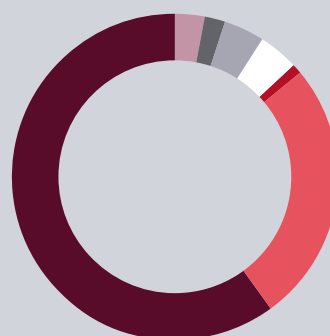
* In the 2019 Tax Transparency Report, Fuel Tax Credits (FTC) were included as an offset in net GST paid. This year, FTC are included as part of Federal Excise Duty, a new line item included along with rates and registrations.

Taxes collected on behalf of Governments

	2020 \$m	2019 \$m
GST	662.2	639.4
PAYG Withholding	661.2	620.1
Total	1,323.4	1,259.5

Taxes and duties borne

Income Tax	3%
GST (net GST paid)	60%
Payroll Tax	26%
Fringe Benefits Tax	1%
Land Tax	4%
Rates and Registrations	4%
Federal Excise Duty	2%
Stamp Duty	0%



Taxes collected

GST	50%
Employee withholding	50%

